

## Message Text

CONFIDENTIAL

PAGE 01 ALGIER 00550 051748Z

42

ACTION NEA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 OPIC-03 EA-07

AF-06 EUR-12 /117 W

----- 015687

R 021100Z MAR 76

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 3968

C O N F I D E N T I A L ALGIERS 0550

E.O. 11652: GDS

TAGS: ENRG, AG, US

SUBJECT: CONVERSATION WITH MINISTER ABDESSELAM; ALGERIAN REACTION  
TO PRESIDENT'S ENERGY MESSAGE AND SECURITY OF LNG SUPPLY

REF: ALGIERS 0540, ALGIERS 0541, ALGIERS 0543

1. SUMMARY: ALGERIAN MINISTER OF INDUSTRY AND ENERGY ABDESSELAM TOLD UNDER SECRETARY ROBINSON THAT PRESIDENT'S ENERGY MESSAGE AND ITS TARGET LIMITATION OF ONE TRILLION CUBIC FEET PER YEAR OF LNG IMPORTS INTO THE US WOULD REQUIRE COMPLETE REVIEW OF ALGERIAN LNG POLICIES. PROBABLY RESULT OF THIS REVIEW WOULD BE CANCELLATION OF SOME CONTRACTS FOR SALE OF LNG TO US. DURING CONVERATION, ABDESSELAM EVADED GIVING ASSURANCES THAT ALGERIA WOULD BE A RELIABLE SUPPLIER OF LNG IN EVENT OF AN ARAB OIL EMBARGO. END SUMMARY.

2. THIS IS TH THIRD IN A SERIES OF MESSAGES REPORTING A FEB 28 CONVERSATION BETWEEN UNDER SECRETARY ROBINSON AND ALGERIAN MINISTER OF INDUSTRY AND ENERGY BELAID ABDESSELAM.

3. UNDER SECRETARY ROBINSON NOTED THAT HE HAD GREAT RESPECT  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ALGIER 00550 051748Z

FOR ALGERIAN LNG PLANS AND PROGRAMS AND THE SENSITIVITY OF

ALGERIANS TOWORLDWIDE GAS DEMAND. HE ANTICIPATED THAT INCREASING QUANTITIES OF ALGERIAN GAS WOULD BE MOVING TO US IN FUTURE. WHILE FPC, OF COURSE, HAD FINAL SAY IN APPROVING LNG IMPORT CONTRACTS, COMMISSION WAS INFLUENCED BY RECOMMENDATIONS OF THE ADMINISTRATION AND ITS ENERGY RESOURCES COUNCIL.

4. MINISTER ABDESSELAM REPLIED THAT HE HAD NOTED REPORTS THAT PRESIDENT FORD HAD SET CEILING ON LNG IMPORTS AT ONE TRILLION CF/YR AND WONDERED IF THESE WERE CORRECT. ROBINSON SAID HE HAD PARTICIPATED IN ERC REVIEW THAT HAD MADE THIS RECOMMENDATION TO THE PRESIDENT. THE ONE TRILLION CF, HOWEVER, SHOULD NOT BE VIEWED AS AN ABSOLUTE LIMIT BUT AS A TARGET. THIS TARGET QUANTITY ACTUALLY MEANT THAT THE AMOUNT OF LNG WHICH WOULD BE IMPORTED BY THE US WOULD BE TRIPLED BY 1985 OVER THE PREVIOUS TARGET OF 0.3 TO 0.4 TCF/YR. ABDESSELAM REPLIED THAT IF US WAS ONLY GOING TO BUY TRILLION CF/YR ALGERIA WOULD HAVE TO REVIEW ITS ENTIRE GAS POLICY.

5. ROBINSON SAID ERC POLICY DECISIONS WERE BASED PRIMARILY ON TWO FACTORS; (A) ECONOMICS -- I.E. THE PRICE AND TERMS OF GAS SALES MUST BE COMPETITIVE WITH OTHER SOURCES; AND (2) SECURITY OF SUPPLY. RE LATTER POINT ROBINSON SAID ONE OF QUESTIONS HE WAS OFTEN ASKED WAS WHETHER ALGERIA REPRESENTED SECURITY SOURCE OF SUPPLY FOR LNG AND WHAT ALGERIA MIGHT DO WITH RESPECT TO GAS IN THE EVENT OF ANOTHER ARAB OIL EMBARGO. ABDESSELAM ANSWERED BY ASKING, "WHY SHOULD WE INSTITUTE ANOTHER OIL EMBARGO?" ROBINSON THEN STRESSED HIS HOPE THAT WE WOULD HAVE DEFINITE ANSWER TO THIS QUESTION OF SECURITY OF ALGERIAN LNG SUPPLY.

6. RETURNING TO SUBJECT OF PRESIDENT'S ENERGY MESSAGE LATER IN THE CONVERSATION, ABDESSELAM AGAIN SAID THAT IF TARGET WERE SET AT 1 TRILLION CF/YR IT WOULD MEAN THAT ALGERIA WOULD HAVE TO REVIEW ITS GAS POLICY. THIS REVIEW WOULD UNDOUBTEDLY LEAD TO DROPPING OF SOME US CONTRACTS SINCE HE DID NOT THINK THAT MOST OF LNG THAT US IMPORTED WOULD BE COMING FROM ALGERIA. ABDESSELAM STRESSED, HOWEVER, THAT HE WAS CONTINUING PLANS FOR INCREASED CONDENSATE PRODUCTION -- I.E. ALGERIA HAD DECIDED NOT TO RELATE PRODUCTION OF CONDENSATE TO GAS EXPORTS. ALGERIA HAD 500 MILLION CM OF CONDENSATE RESERVES OR ABOUT

CONFIDENTIAL

PAGE 03 ALGER 00550 051748Z

4 BILLION BARRELS AND WOULD DEVELOP THIS RESOURCE REGARDLESS OF EXPORTS OF GAS. HE ADDED THAT WITH REVENUE FROM CRUDE AND CONDENSATE PRODUCTION OF 1.6 MILLION B/D PLUS SOME REVENUE FROM GAS, IT WOULD BE POSSIBLE TO MAINTAIN THE PRESENT PLANNED AND PRESENT RATE OF GROWTH.

7. ABDESSELAM CONTINUED, HOWEVER, THAT THE MOST IMPORTANT QUESTION TO BE ANSWERED BY ROBINSON DURING HIS VISIT WAS WHETHER

THE US WOULD BE BUYER OF ALGERIAN GAS. ROBINSON RESPONDED THAT US WILL CLEARLY INCREASE ITS IMPORTS OF LNG. THE US IS REVISING ITS CONCEPT OF DEPENDENCE ON FOREIGN SOURCES. IN DECISIONS INVOLVING LNG IMPORTS INCREASED RECOGNITION WILL BE GIVEN TO THE IMPORTANCE OF SECURITY AND ECONOMIC VIABILITY.

8. ROBINSON CONTINUED THAT THERE WERE FOUR MAJOR ALTERNATIVE LNG SOURCES FOR THE US AT THE MOMENT. THESE WERE ALGERIA, THE MOST IMPORTANT FOR THE EASTERN US; INDONESIA, THE MOST IMPORTANT FOR THE WEST COAST, AND NIGERIA AND USSR. EXTENT OF US DEPENDENCE ON EACH SOURCE WOULD DEPEND AGAIN ON ECONOMICS AND SECURITY OF SUPPLY. IN IMPORTING OIL THE US HAD OTHER ALTERNATIVES, BUT IF A SYSTEM BASED ON IMPORTING GAS WAS INTERRUPTED THIS WOULD REPRESENT A SERIOUS PROBLEM FOR US. ANY ASSURANCES THAT THE ALGERIANS MIGHT GIVE RE SECURITY OF SUPPLY WOULD BE AN IMPORTANT FACTOR IN THE DECISION REGARDING PURCHASE OF ALGERIAN NATURAL GAS.

9. ABDESSELAM RESPONDED THAT HE DID NOT KNOW WHETHER THE GIVING OF ASSURANCES WOULD SOLVE THE PROBLEM. ONLY TIME, HE ADDED, CAN BRING THE PEACE OF MIND THAT IS SOUGHT. HERE IN ALGERIA, ABDESSELAM SAID, WE HAVE SIMILAR PROBLEMS VIS-A-VIS THE US. SOME ASK WHETHER IT IS GOOD FOR ALGERIA TO BE TIED TO THE US AS A MARKET FOR SUCH A LARGE PERCENTAGE OF ITS OUTPUT OF OIL AND GAS. ESPECIALLY IN THE AREA OF NATURAL GAS, WHAT WOULD HAPPEN TO ALGERIA IF THE US MOVED AGAINST IT? ALSO WHAT HAPPENED WITH CHEMICO HAS NOT LEFT GOOD MEMORIES. WE TRY TO SEE THE POSITIVE SIDE AND NOT THE NEGATIVE SIDE. ABDESSELAM SAID, BUT WE HAVE PROBLEMS ON OUR SIDE AS WELL.

10. COMMENT: FOR WHATEVER REASON, ABDESSELAM WAS CLEARLY NOT PREPARED TO OFFER ASSURANCES THAT ALGERIA WOULD BE A CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ALGIER 00550 051748Z

RELIABLE SUPPLIER OF LNG TO US MARKET IN EVENT OF AN ARAB OIL EMBARGO. RATHER, HE HAS EMPHASIZED THAT ALGERIA HAS DOUBTS ABOUT OUR RELIABILITY AS A CUSTOMER. THE SHARING OF SUCH RECIPROCAL RISKS SEEMS DESTINED TO BE BASIS FOR ANY FURTHER LNG TRANSACTIONS WITH ALGERIA. PARKER

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, EXPORTS, NATURAL GAS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 02 MAR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** izenbei0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976ALGIER00550  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760084-1164  
**From:** ALGIERS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t197603106/aaaadpei.tel  
**Line Count:** 159  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 ALGIERS 540, 76 ALGIERS 541, 76 ALGIERS 543  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** izenbei0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 07 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07 JUN 2004 by buchant0>; APPROVED <30 SEP 2004 by izenbei0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CONVERSATION WITH MINISTER ABDESSELAM; ALGERIAN REACTION TO PRESIDENT'S ENERGY MESSAGE AND SECURITY OF LNG SUPPLY  
**TAGS:** ENRG, AG, US, (ABDESSELAM, BELAID)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006